

## **Montgomery County Retirement Savings Plan Statement of Policies & Objectives**

Montgomery County sponsors the Montgomery County Retirement Savings Plan (“Plan”) to provide eligible participants a multiple-employer defined contribution plan.

The Montgomery County Code (“Code”) grants the Board of Investment Trustees (“the Board”) the exclusive authority to manage the assets of the Plan and to select investment options that the Board considers prudent subject to the Standard of Care set forth in Code Section 33-61C. The Code also provides that the Board must invest each participant's account in the Board designated investment options as directed by the participant. The Board adopts this Statement of Policies and Objectives as a guide to the exercise of its powers and duties in overseeing the investment program of the Plan.

### **Selection of Investment Options - Board**

The Plan’s participants have different investment objectives, time horizons and risk tolerances. To meet these varying investment needs, the Board will provide a diversified slate of investment options, each of which has a different set of risk and return characteristics as disclosed in their fund prospectus or other offering documents. From the options offered, participants can construct a portfolio designed for their retirement needs and risk tolerance.

The Board will select investment options that:

- Cover a risk and return spectrum of appropriate investment classes
- Are distinguishable and have distinct risk and return characteristics
- Are well diversified and professionally managed
- Charge fees that are reasonable for the asset class and investment style
- Maximize return within reasonable and prudent levels of risk

Recognizing that Plan participants have different investment styles and degrees of involvement in managing their retirement savings, the Board developed the following investment tiers to categorize the investment options offered in the Plan:

<b>Tier</b>	<b>Implementation Style</b>	<b>Investments Offered</b>
Tier 1	One decision funds	Lifecycle funds
Tier 2	Passive exposure	Index funds across major asset classes
Tier 3	Active management	Funds within all major asset classes
Tier 4	Active management – no evaluation by Board of investment options	Self Directed Brokerage Account

The Board will offer a variety of options within each tier. Recognizing that some participants may want more variety, independence, and greater control in managing their Plan account, the Board will permit a participant to select any mutual fund, exchange traded product (e.g. ETFs), equity, or fixed income product, unless otherwise prohibited, through the Self-Directed Brokerage Account (SDBA). The Board will not monitor or evaluate the investment options available within the SDBA.

When selecting investment options offered in Tier 1, 2, or 3, the Board may consider such factors as:

- The size, company staffing and organization, history, reputation, regulatory and legal compliance of the investment firm that manages each investment option.
- The experience of the individual portfolio manager.
- The investment objectives and structure, sector and security diversification.
- Adherence to investment strategy/style drift.
- Its historical risk and return measured against appropriate benchmarks and/or peer groups.
- Avoidance of duplication among investment options.
- The cost to participants, including any purchase or exchange fees, as well as its annual operating expenses.
- The ability to assist participants in meeting their individual investment goals when evaluated with the other available investment options.
- New product/investment opportunity.

Appendix A (attached) provides the current list of investment options offered through the Plan and will be updated when changes are made.

### **Investment Program Oversight**

On a quarterly basis, the Board formally reviews and evaluates the investment options offered and the performance of each investment option. Board staff monitors the options daily and will notify the Board if circumstances warrant immediate action. The Board will discuss taking action if an investment option fails to satisfy its performance criteria, the basis for selecting the investment option has changed, or if some other material change prompts concern. If such an event occurs that causes concern as to the appropriateness of continuing to offer that investment option, the Board may take one or more of the following actions:

- Establish a probationary period during which any area of concern will be assessed and, if necessary, corrected.
- Supplement the investment option with one or more alternative investment options for that category.
- Replace the investment option with one or more alternative investment options for that category.
- Eliminate the investment option.

Changes to the investment options available will be made at the sole discretion of the Board, which shall document its decisions in the Board minutes, and communicate all changes to the participants on a timely basis. If an investment option is eliminated and a replacement option is added, participants will be notified that if they fail to make an election to move their balance from the eliminated option prior to the date of transfer, any assets in the eliminated option will be transferred to the replacement option.

### **Selection of Investment Options - Participant**

Participants may choose one or more investment options depending on individual investment objectives. Participants may change investment elections at any time (trade restrictions and fees on

redemptions may be initiated by a particular option at any time). A participant's direction of investment remains in effect until otherwise changed by the participant. If a participant fails to designate an investment option, the participant's account balance and future contributions will be invested in the default option, which is currently the lifecycle fund (also known as target date fund) closest to the participant's expected retirement date, based on the participant's date of birth.

Participants are advised that they bear all investment risk and earnings on their participant account balances are determined solely by their investment elections. No person who is a fiduciary shall be liable for any loss resulting from the participant's exercise of control over his or her plan account.

Prior to opening an SDBA, participants will be required to sign an agreement acknowledging their understanding that he or she exercises exclusive control over his/her SDBA and that the Board does not select or monitor the investment options traded in the SDBA.

### **Third Party Administrator**

The Board, in conjunction with the Chief Administrative Officer, will select a Third Party Administrator (TPA) to perform functions related to administration of the Plan and recordkeeping of participant investment accounts, including: enrollment, exchanges, transfers, distributions, communication, performance and fee information, and periodic individual statements and benefit payments.

The Board will conduct a review annually, or as necessary, of the TPA, to evaluate the expenses, the revenue sharing arrangements in place, and to determine if the TPA is meeting the administrative requirements as described above.

### **Annuity Option**

Section 33-120(f)(2) requires the Board to provide an annuity distribution option to Plan participants. The Board will provide several vendors, through the Third Party Administrator ("TPA"), from which a participant may select an annuity option. Annually, the Board will review the TPA's evaluation of the vendors, with a focus on additions or deletions to the list of approved vendors, as well as vendor credit ratings. The TPA serves as the Board's expert in performing analytics and due diligence to evaluate factors impacting each annuity provider's claims paying ability and creditworthiness, including:

- Quality and diversification of the annuity provider's investment portfolio
- Size of the insurer relative to the proposed contract
- Level of insurer's capital and surplus
- Lines of business of the annuity provider and other indications of the insurer's exposure to liability
- Structure of the annuity contract and guarantees supporting the annuities
- State guarantee association protection

### **Investment Education Resources**

Section 33-125 (a)(5) requires the Board to make investment counseling services available each year to all Plan participants to provide advice on the investment options available. To meet this requirement, the Board will engage an investment counseling firm to provide counseling to each participant annually. The Board annually reviews the service provider to ensure that the contract terms are being met and that participants are satisfied with the service provided. Each participant is asked to complete

a survey after meeting with the service provider to evaluate the satisfaction level with the counseling session.

In addition to individual investment counseling, participants will have educational resources available to make informed investment decisions based on their investment goals. The TPA will provide investment education and will include materials such as: quarterly statements and newsletters, onsite seminars, one-on-one counseling sessions, representative visits, and internet access services.

The Board has administrative procedures in place with the TPA to ensure that participants receive information on risk factors, fee structures and other issues related to investments. The TPA will provide these materials upon request.

Amended: December 2010

Appendix A – Current Investment Options

<b>Tier Classification</b>	<b>Investment Category</b>	<b>Investment Options*</b>
Tier 1	Lifecycle Funds	<ul style="list-style-type: none"> <li>♦ Fidelity Freedom K 2000</li> <li>♦ Fidelity Freedom K 2005</li> <li>♦ Fidelity Freedom K 2010</li> <li>♦ Fidelity Freedom K 2015</li> <li>♦ Fidelity Freedom K 2020</li> <li>♦ Fidelity Freedom K 2025</li> <li>♦ Fidelity Freedom K 2030</li> <li>♦ Fidelity Freedom K 2035</li> <li>♦ Fidelity Freedom K 2040</li> <li>♦ Fidelity Freedom K 2045</li> <li>♦ Fidelity Freedom K 2050</li> <li>♦ Fidelity Freedom K Income</li> </ul>
Tier 2	Index Funds	<ul style="list-style-type: none"> <li>♦ Fidelity US Bond Index</li> <li>♦ Spartan Total Market Index</li> <li>♦ Spartan 500 Index</li> <li>♦ Spartan Extended Market Index</li> <li>♦ Spartan International Index</li> </ul>
Tier 3	Bond/Income Funds	<ul style="list-style-type: none"> <li>♦ Fidelity Intermediate Bond</li> <li>♦ Fidelity Capital &amp; Income</li> <li>♦ Managed Income Portfolio</li> </ul>
Tier 3	Balanced/Hybrid Fund	<ul style="list-style-type: none"> <li>♦ Fidelity Puritan</li> </ul>
Tier 3	Real Return Funds	<ul style="list-style-type: none"> <li>♦ Fidelity Strategic Real Return</li> <li>♦ Fidelity Inflation-Protected Bond</li> <li>♦ Fidelity Real Estate Investment</li> </ul>
Tier 3	Stock Funds	<ul style="list-style-type: none"> <li>♦ Fidelity Contrafund</li> <li>♦ Fidelity Growth Company</li> <li>♦ Fidelity Value</li> <li>♦ Fidelity Equity Income</li> <li>♦ Davis NY Venture</li> <li>♦ Fidelity Low Priced Stock</li> <li>♦ Northern Small Cap Value</li> <li>♦ Fidelity Small Cap Stock</li> <li>♦ Artisan Small Cap</li> </ul>
Tier 3	International/Global Stock Funds	<ul style="list-style-type: none"> <li>♦ Fidelity Diversified International</li> <li>♦ Templeton World</li> </ul>
Tier 4	Self Directed Brokerage Acct.	<ul style="list-style-type: none"> <li>♦ Fidelity BrokerageLink</li> </ul>

\*Investment options as of December 2010